

SINGLE AUDIT REPORTS
SAN JACINTO COUNTY, TEXAS

For the Year Ended
September 30, 2016

SAN JACINTO COUNTY, TEXAS

SINGLE AUDIT REPORTS

September 30, 2016

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 7, 2017

To the Honorable County Judge and
Members of the Commissioners' Court of
San Jacinto County, Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Jacinto County, Texas (the "County"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2016-001, 2016-002, 2016-003, and 2015-001 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

San Jacinto County, Texas's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

December 7, 2017

To the Honorable County Judge and
Members of the Commissioners' Court of
San Jacinto County, Texas:

Report on Compliance for Each Major Federal Program

We have audited the San Jacinto County, Texas's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated December 7, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material

respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

SAN JACINTO COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2016

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

2015-001. REPORTING OF GRANT REVENUE

Condition

The County is not recognizing grant revenue in the end of year accrual and several adjustments were needed in the grants fund to reconcile grant revenue to grant-related expenditures. This condition was reported in the prior year as comment 2014-001.

Recommendation

The County should ensure that grant revenue is recognized in the correct time period. The County should establish procedures to review and reconcile all grant fund revenue accounts as they relate to supporting documentation for expenditures reported.

Current Status

The County is working to reconcile all grant fund revenue accounts as they relate to supporting documentation for expenditures reported to ensure that all grant fund accounts are reported properly.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of San Jacinto County, Texas.
2. No material weaknesses in internal control were disclosed by the audit of the financial statements.
3. Significant deficiencies in internal control were disclosed by the audit of the financial statements.
4. No instances of noncompliance material to the financial statements were disclosed during the audit.
5. No significant deficiencies in internal control over major federal and state award programs were disclosed by the audit.
6. The auditors' report on compliance for the major federal and state award programs expresses an unmodified opinion.
7. No audit findings relative to the major federal and state award programs for the County are reported.
8. The federal programs included as major programs are:

<u>CFDA Number</u>	<u>Program Title</u>
97.036	Disaster Grant - Public Assistance

9. The federal threshold for distinguishing Type A and B programs was \$750,000.
10. The County did not qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

Significant Deficiencies:

2016-001. BANK RECONCILIATIONS

Criteria

The County is responsible for balancing and reconciling bank statements and accurately accounting for the County's pooled cash account, payroll, and various other accounts.

Condition

The bank statements and reconciliations were not reconciled to the trial balance and numerous entries were needed to reconcile cash.

Effect

The County is at high risk for loss of funds due to lack of accounting for cash and not reconciling bank statements.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended September 30, 2016

Cause

The County did not reconcile bank statements in a timely manner due to lack of training with the new financial software.

Recommendation

The County should reconcile bank statements monthly. To ensure timeliness, the County should present a copy of the bank statement and reconciliation to the Commissioners' Court on a monthly basis.

Management's Corrective Action Plan

The County is working with the financial software company to provide training on the system's reconciliation process. The County will ensure bank statements are reconciled in a timely manner.

2016-002. EFILE BANK ACCOUNT

Criteria

The County is responsible for maintaining bank statements and accurately accounting for the County's cash accounts.

Condition

As of September 30, 2016, the Efile bank account was not listed on the general ledger.

Effect

The County is at high risk for loss of funds due to lack of accounting for cash.

Cause

The County did not have to have the Efile bank account recorded on the general ledger at year end.

Recommendation

The County should reconcile bank statements monthly to ensure that all cash has been accounted for on the general ledger.

Management's Corrective Action Plan

The County will ensure all cash accounts are accounted for and reconciled to the general ledger.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended September 30, 2016

2016-003. MONTH END PROCEDURES

Condition

The County Auditor's office is responsible for ensuring the County has a formal procedure in place to reconcile balance sheet accounts on a consistent basis. It appeared the County lacked a formal process for closing the books at the end of each month. Multiple adjustments were required at year end during the audit process to correct general ledger account balances. Accordingly, it did not appear that other support was being compared to the general ledger on a monthly basis to ensure that interim financial statements were correct.

Effect

The lack of consistent month end procedures could lead to misstated account balances.

Cause

The County has not established formal procedures to reconcile balance sheet accounts on a consistent basis.

Recommendation

The County Auditor's office should establish a month end closing procedure to reconcile all balance sheet accounts, including reviewing supporting subsidiary ledgers and other supporting documents to determine their accuracy and to ensure the general ledger is appropriately adjusted.

Management's Corrective Action Plan

The Auditor's office agrees with this recommendation and is in the process of establishing procedures that will ensure general ledger accounts are reconciled at month end.

C. FINDINGS – FEDERAL AWARDS

None.

SAN JACINTO COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

Grantor/ Program Title	Program / Grant / Project Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Pass-Through Texas Comptroller of Public Accounts</i>			
Schools and Roads - Grants to States - Title I	N/A	10.665	\$ 105,394
Schools and Roads - Grants to States - Title III	N/A	10.665	28,654
Total U.S. Department of Agriculture			<u>134,048</u>
U.S. Department of Interior			
<i>Pass-Through Texas Comptroller of Public Accounts</i>			
National Forest Acquired Lands	N/A	15.438	37,051
Total U.S. Department of Interior			<u>37,051</u>
U.S. Department of Housing and Urban Development			
<i>Pass-Through Texas General Land Office</i>			
Community Development Block Grant	12-5192-000-5175	14.228	43,125
Total U.S. Department of Housing and Urban Development			<u>43,125</u>
U.S. Department of Homeland Security			
<i>Pass-Through Texas Department of Public Safety-Division of Emergency Management</i>			
Emergency Management Performance Grants	15TX-EMPG-0453	97.042	47,469
Disaster Grant - Public Assistance	FEMA 4223	97.036	500,647
Disaster Grant - Public Assistance	FEMA 4269	97.036	72,427
Disaster Grant - Public Assistance	FEMA 4272	97.036	5,329
Total U.S. Department of Homeland Security			<u>625,872</u>
U.S. Department of Justice			
<i>Pass-Through Texas Department of Public Safety</i>			
State Criminal Alien Assitance Program (SCAAP)	LOA #2016	16.606	538
<i>Direct Award - Drug Enforcement Administration</i>			
Domestic Cannabis Eradication/Suppression Program	2016-121	N/A	19,927
Total U.S. Department of Justice			<u>20,465</u>
Total Federal Expenditures			<u>\$ 860,561</u>

SAN JACINTO COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Jacinto County, Texas, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Compliance Supplement*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE

The County elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: SUBRECIPIENTS

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipients. Of the expenditures presented in the Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Expenditures</u>
10.665	Schools and Roads - Grants to States - Title I and III	\$ 134,048
15.438	National Forest Acquired Lands	\$ 37,051